Business, Energy and Industrial Strategy Committee

House of Commons, London SW1A 0AA

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Rt Hon Rishi Sunak MP
Chancellor of the Exchequer HM Treasury
1 Horse Guards Road
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2 April 2020

Dear Rishi,

As I stated in my recent letters, I am very supportive of the actions you have taken over recent weeks, the speed of your response and range of issues you are seeking to address. Your intent has been commendable and has reassured many people across the UK. However, it was inevitable, as you have acknowledged, that there would be teething problems and some gaps in provision, bearing in mind the complex problems your package of measures is seeking to solve. I am writing to you constructively to highlight some of these gaps and teething problems, which I have become aware of. I hope that by closing these gaps nobody across the UK will be left behind and that when we emerge from this crisis we do so as a united and strong country ready to work together to rebuild and grow our economy.

Some of the gaps relate to workers in terms of whether they can be furloughed or if their protections and rights are affected by the Coronavirus crisis. Please could you consider addressing the following:

- Allow workers who have recently become self-employed and who do not have a tax return for 2018-19 to be furloughed.
- Confirm that workers who switched jobs after 28 February will now be able to be furloughed by going back to previous employer, as is the case for workers made redundant after 28 February.
- Enable employers to furlough those workers who have reduced but not zero hours, or who have moved to short-term working or shorter shift patterns.
- Consider including piecework enhancements for low paid workers when calculating furlough pay. Many workers, such as those employed in in food manufacturing and warehouses, are paid a low hourly rate which is supplemented by piece rate results. Basing the furlough pay on 80% of their hourly wages could lead to many workers suffering hardship.

- Consider the position of of key workers, such as those who work in nurseries, who are expected to still work but on reduced hours, so seeing a big reduction in their income whilst being outside of the protection of the furlough scheme.
- Make sure workers who are on short-term contracts and who may be between contracts can be furloughed by their most recent employer. This applies, for instance, to workers in the creative arts and supply teachers.
- Ensure that workers who are furloughed still receive money even if their company goes bust despite the income replacement scheme.
- Prevent workers who have self-isolated for health reasons and who are on Statutory Sick Pay being penalised if furloughed in terms of calculating the amount of money they will receive.
- Ensure that pregnant women who have not yet started maternity leave are afforded the same protections and rights as women already on maternity leave. This was promised in the Queens Speech but has not yet been inroduced and there are reports of pregnant women being made redundant whilst waiting to go on maternity leave.
- Address the potential for pregant women who have been furloughed before going on maternity to fall below the low earnings limit to qualify for maternity pay.
- Revisit whether directors of small businesses who take small dividends can be furloughed by looking at self-assessment returns to show the source of such dividends. The danger is that if this is not done, some small business directors will have to cannibalise their businesses.

Other gaps relate to the support given to businesses. I was heartened that the letter your sent to UK Finance last week was echoed yesterday by the Secretary of State for Business, Energy and Industrial Strategy. He rightly pointed out that banks who were supported by the tax payer during the financial crash now need to step up and support businesses and consumers. I welcome reports that you will announcing shortly an overhaul the Coronavirus Business Interruption Loan Scheme (CBILS) to address some of the issues that I raised with you earlier this week, echoing the concerns of many SMEs across the country. I look forward to seeing the detail of this when they are announced.

Similarly, I also note that the Financial Times reported earlier today that you are seeking to bring forward emergency loans for those medium-sized businesses that appear to be falling between CBILS and the Covid-19 Corporate Financing Facility (CCFF) and that you will be examining ways to improve the CCFF. I look forward to seeing these proposals as soon as they are published. I also welcome the FCA's intervention today to ask banks to freeze payments for three months on loans, credit card and store card debit as well as introducing interest free overdraft over the same period. This will help many workers and familes who are seeing a reduction in their incomes. Could I also ask you to consider the following issues which are being raised by business:

- Give a clear steer to companies to pay their suppliers, including many SMEs, on time, otherwise financial problems are merely being passed down the supply chain.
- Revisit the £10k Small Business Grant and consider extending it beyond those who are registered for Small Business Rates Relief.
- Look at extending the criteria for £25k grants for retail, hospitality and leisure businesses, including:

    - Extending support to busineses whose properties are rated above £51k.
    - Widening support to SMEs in other sectors beyond retail, hospitality and leisure.
- Widen the business rates holiday beyond the retail, hospitality and leisure sectors.
- Consider doing more to protect start-up companies who may be in their early stage and curently loss-making. Without support many start-ups might fail, threatening innovation in the UK. Start-ups are reporting that they are being refused lending facilities because they are not currently making profits.
- Ensure that if businesses cannot get through to lenders to discuss payment holidays or restucturing debt that they are not penalised if a payment date comes before they can do so.
- Consider issuing guidance during the present crisis for companies who are preparing accounts and auditors who are auditing these accounts and considering whether companies are going concerns.This might include requiring regulators to produce new stress testing that takes account of the crisis.

Yours sincerely,

Rachel Reeves MP
Chair of the Business, Energy and Industrial Strategy Committee